

**IPALCO ENTERPRISES, INC.**  
**One Monument Circle**  
**P. O. Box 1595**  
**Indianapolis, Indiana 46206-1595**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD APRIL 19, 2000**

TO THE SHAREHOLDERS OF  
IPALCO ENTERPRISES, INC.

The Annual Meeting of Shareholders of IPALCO Enterprises, Inc. will be held at the office of the corporation, One Monument Circle, Indianapolis, Indiana on Wednesday, April 19, 2000, at 11:00 A.M. (Indianapolis Time), for the following purposes:

1. To elect five directors in Class II to hold office for terms of three years each and until their successors are duly elected and qualified;
2. To act upon one shareholder proposal described in the attached Proxy Statement; and
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on Wednesday, March 1, 2000 are entitled to notice of and to vote at the Annual Meeting.

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THIS MEETING. Whether or not you expect to be present at the meeting, you are urged to fill in, date and sign the enclosed proxy and return it immediately in the accompanying postage guaranteed envelope.**

By order of the Board of Directors.

IPALCO ENTERPRISES, INC.  
By: BRYAN G. TABLER, Secretary

Indianapolis, Indiana  
March 20, 2000

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**IPALCO ENTERPRISES, INC.**  
**One Monument Circle, P. O. Box 1595**  
**Indianapolis, Indiana 46206-1595**

**PROXY STATEMENT**

*For the Annual Meeting of Shareholders  
To Be Held April 19, 2000  
(Mailed on or about March 20, 2000)*

**ANNUAL MEETING INFORMATION**

**Date, Time and Place of Annual Meeting**

This Proxy Statement is furnished in connection with the solicitation of the enclosed proxy by and on behalf of the Board of Directors of IPALCO Enterprises, Inc. ("IPALCO") to be voted at its Annual Meeting of Shareholders to be held April 19, 2000, at 11:00 A.M. (Indianapolis Time) at the principal office of IPALCO, One Monument Circle, Indianapolis, Indiana 46204, and at any adjournment of such meeting.

**Solicitation of Proxies**

The presence in person or by proxy of the holders of a majority of the outstanding shares entitled to vote at the Annual Meeting is necessary to constitute a quorum. Shares represented for any purpose are deemed present for quorum purposes. If the enclosed form of proxy is properly executed and returned in time for the meeting, the named proxies will vote the shares represented by the proxy in accordance with the instructions marked. Proxies returned unmarked will be voted in favor of the proposed nominees for director and against the shareholder proposal. The enclosed proxy gives discretionary authority to the persons named therein to vote in accordance with their best judgment on any other matters brought before the meeting. A shareholder executing and delivering the enclosed proxy has the unconditional right to revoke it at any time before it is exercised.

Under Indiana law, the election of directors will be determined by plurality vote at a meeting where a quorum is present. As a result, the five nominees who receive the greatest number of votes cast for election as directors will be elected as directors of IPALCO. Broker non-votes and withheld votes will not affect the outcome of the election of directors.

The shareholder proposal will be approved if the votes cast for the proposal exceed those cast against the proposal. Abstentions and broker non-votes will not be counted either for or against the proposal.

A "broker non-vote" occurs when a broker submits a proxy that does not indicate a vote for a proposal because the broker has not received instructions from the beneficial owner on how to vote on such proposal and does not have discretionary authority to vote in the absence of instructions.

IPALCO will pay all expenses in connection with the solicitation of proxies. The principal solicitation is being made by mail. However, additional solicitation may be made by telephone, telefax or personal contact by officers and other employees of IPALCO and its subsidiaries, without additional compensation. IPALCO expects to reimburse broker-dealers and others for reasonable expenses of forwarding proxy materials to, and obtaining instructions from, beneficial owners.

**Other Business**

Management is not aware of any business to be presented at the 2000 Annual Meeting other than the election of five directors and the shareholder proposal. The minutes of the Annual Meeting of Shareholders held April 21, 1999, will be presented for approval at the 2000 Annual Meeting; however, such action is not intended to constitute approval or disapproval of any matter referred to in such minutes.

## Shareholder Proposals for 2001 Annual Meeting

If a shareholder intends to present a proposal at the Annual Meeting of Shareholders to be held April 18, 2001, the proposal must be received by the Secretary of IPALCO in writing by November 20, 2000 to be considered for inclusion in next year's proxy statement. The proposal must comply in all respects with the rules and regulations of the Securities and Exchange Commission and the Bylaws of IPALCO. Under IPALCO's Bylaws, other proposals which are not included in the proxy statement will be considered untimely and will not be presented at that meeting unless they are received by the Secretary of IPALCO in writing, no earlier than January 8, 2001 and no later than February 2, 2001.

## RELATIONSHIP WITH AUDITOR

Deloitte & Touche LLP, with offices at Bank One Center/Tower, 111 Monument Circle, Suite 2000, Indianapolis, Indiana, has been the auditor of IPALCO since its inception. Upon the recommendation of the Audit Committee, that firm was again appointed by IPALCO's Board of Directors to serve as auditor for IPALCO and its subsidiaries for the current year. A representative of Deloitte & Touche LLP will be present at the Annual Meeting and will be given the opportunity to make a statement and to respond to appropriate questions from shareholders.

## VOTING SECURITIES AND BENEFICIAL OWNERS

On December 31, 1999, IPALCO had outstanding 85,727,614 shares of common stock. Each share of common stock entitles its owner to one (1) vote upon each matter to come before the meeting. Only shareholders of record at the close of business on Wednesday, March 1, 2000, will be entitled to vote at the meeting or at any adjournment thereof.

### Beneficial Owners of 5% or More of Common Stock

On December 31, 1999, the following beneficial owners held more than 5% of IPALCO's voting securities:

<i>Title of Class</i>	<i>Name and Address of Beneficial Owner</i>	<i>Amount and Nature of Beneficial Ownership</i>	<i>Percent of Class</i>
Common Stock	Employees' Thrift Plan of Indianapolis Power & Light Company c/o Merrill Lynch Trust Company of America, Trustee 265 Davidson Avenue, 4th Floor Somerset, NJ 08873	9,261,179 shares (1)	10.80%
Common Stock	FMR Corp. 82 Devonshire Street Boston, MA 02109	5,897,040 shares (2)	6.88%

- (1) Trustee under a continuing agreement, has discretion to vote shares as to which no voting instructions are received.
- (2) Information based on Schedule 13G filed by FMR Corp. FMR Corp. has the sole power to dispose or to direct the disposition of these shares, and the sole power to vote 1,247,400 of these shares.

**COMMON STOCK  
OWNERSHIP OF DIRECTORS, NOMINEES AND  
EXECUTIVE OFFICERS**

<b>Directors, Nominees And Executive Officers</b>	<b>Shares Beneficially Owned</b>	<b>Shares held in Thrift Plan</b>	<b>Options Exercisable Within 60 Days</b>	<b>Shares Held By or With Spouse, Children or Parents, In Trust or By Corporation</b>	<b>Total</b>	<b>% of Shares Outstanding (1)</b>
Joseph D. Barnette, Jr.	10,500		30,000	9,500	50,000	
Robert A. Borns	21,760		30,000	49,599	101,359	
John R. Brehm	39,466	30,942			70,408	
Daniel R. Coats				435	435	
Mitchell E. Daniels, Jr.			54,000	1,000	55,000	
Rexford C. Early	12,097		30,000	2,000	44,097	
Otto N. Frenzel III	1,800		54,000	24,600	80,400	
Max L. Gibson	10,200		30,000		40,200	
Joseph A. Gustin	10,500	3,664	90,000	2,285	106,449	
John R. Hodowal	166,618	66,497	115,000		348,115	
Ramon L. Humke	214,774	19,504	382,254		616,532	
Andre B. Lacy (2)	36,214		54,000		90,214	
L. Ben Lytle	2,817		42,000		44,817	
Michael S. Maurer	1,044		36,000		37,044	
Andrew J. Paine, Jr.	340		12,000	340	12,680	
Sallie W. Rowland	2,361		54,000	315	56,676	
Thomas H. Sams (3)	1,224		36,000	10,500	47,724	
Bryan G. Tabler	49,872	4,382	70,000	813	125,067	
Other Executive Officers	93,202	133,183	548,000	3,637	778,022	
All 27 Directors and Officers	674,789	258,172	1,667,254	105,024	2,705,239	3.16%

- (1) Percentages less than 1% of total common stock outstanding are not indicated.
- (2) Includes 24,000 shares owned by LDI, Ltd. of which Mr. Lacy is a partner, and 1,200 shares representing his vested interest in a self-employment retirement plan, totaling 25,200 shares, 18,000 shares of which he disclaims beneficial ownership.
- (3) Mr. Sams disclaims beneficial ownership of 4,500 shares of the total shares shown opposite his name.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Under the federal securities laws, IPALCO's directors, certain officers, and 10% shareholders are required to report to the Securities and Exchange Commission, by specific due dates, transactions and holdings in IPALCO's stock. A Form 4 for L. Ben Lytle reporting a purchase of 725 shares on July 30, 1999 was inadvertently not filed. This oversight was corrected upon discovery by the filing of a Form 5.

## PROPOSAL 1—ELECTION OF FIVE DIRECTORS

The Executive Committee of IPALCO's Board of Directors nominated five directors to stand for election as Class II directors of IPALCO at its Annual Meeting. Under IPALCO's Articles of Incorporation, the Board is divided into three classes with approximately one-third of the directors standing for election each year for a three-year term.

Proxies representing shares held on the record date which are returned duly executed, will be voted, unless otherwise specified, in favor of the five nominees for the Board of Directors named below in Class II. All such nominees are members of IPALCO's present Board of Directors and all nominees have consented to serve if elected. However, if any nominee becomes unavailable to serve, the persons named as proxies may exercise their discretion to vote for a substitute nominee.

The nominees for directors in Class II, the current directors in Class III and Class I, as assigned by the Board of Directors, and the names, ages (as of April 19, 2000), business experience and directorships of such nominees and directors are as follows:

### **Nominees For Directors To Be Elected At The 2000 Annual Meeting:**

#### **CLASS II**

*Joseph D. Barnette, Jr.*, 60, Chairman of Bank One, Indiana, NA, since March, 1997. Prior to that, Mr. Barnette was Chairman and Chief Executive Officer of Bank One, Indianapolis, NA (October, 1994-March, 1997), Chairman and Chief Executive Officer (January, 1993-December, 1998), and President and Chief Executive Officer (July, 1990-January, 1993) of Banc One Indiana Corporation, and President and Chief Executive Officer of Bank One, Indianapolis, NA (January, 1990-October, 1994). He is a director of IPL and Meridian Insurance Group, Inc. He has been a director of IPALCO since January, 1993.

*Max L. Gibson*, 59, President of Majax Corporation (waste consulting firm), Terre Haute, Indiana, for the past five years. For more than five years prior to his consulting work, Mr. Gibson was President of Victory Services Corporation (waste disposal), Terre Haute, Indiana. He is a director of IPL; First Financial Corporation; Terre Haute First National Bank; and First State Bank, Brazil, Indiana. He has been a director of IPALCO since August, 1993.

*Ramon L. Humke*, 67, Vice Chairman of IPALCO and President and Chief Operating Officer of IPL. Prior to February, 1990 when he assumed his present position with IPL, Mr. Humke was President and Chief Executive Officer of Ameritech Services and Senior Vice President of Ameritech Bell Group (September, 1989-February, 1990) and President and Chief Executive Officer of Indiana Bell Telephone Company (October, 1983-September, 1989). He is a director of IPL; LDI Management, Inc.; Chairman of the Board of Monument Advisors, LLC; and is Chairman of the Boards of Meridian Mutual Insurance Company and Meridian Insurance Group, Inc. He has been a director of IPALCO since February, 1990.

*Andrew J. Paine, Jr.*, 62, Retired. Prior to his retirement in October, 1998, Mr. Paine was President and Chief Executive Officer of NBD Bank, NA, and Executive Vice President of First Chicago NBD Corporation. In his position with NBD Bank, NA, he directed the operation of all NBD banks in Indiana. In 1981, Mr. Paine was named Vice Chairman of Indiana National Bank, and was elected Executive Vice President of NBD Bancorp after it acquired INB in 1992. Mr. Paine was named Chief Executive Officer of NBD Indiana, Inc. in June, 1994, and Executive Vice President of First Chicago NBD Corporation in 1995. He is a director of IPL; Indianapolis Life Insurance Company; and Bankers Life Insurance Company of New York. He has been a director of IPALCO since May, 1997.

*Sallie W. Rowland*, 67, Chairman of Rowland Design, Inc. (an architectural, interiors and graphic design firm), Indianapolis, Indiana and Chairman and Chief Executive Officer of Rowland Design of Kentucky, Inc., Louisville, Kentucky, positions she has held for more than 5 years. Mrs. Rowland serves on various community boards including the Indianapolis Chamber of Commerce, Central Indiana Corporate Partnership and Indianapolis Convention and Visitors Association. She is a director of IPL; Meridian Insurance Group, Inc.; and Meridian Mutual Insurance Company. She has been a director of IPALCO since April, 1988.

**Current Directors Whose Terms Expire in 2001 (Class III) and in 2002 (Class I):**

**CLASS III**

*Robert A. Borns*, 64, Chairman of Borns Management Corporation (real estate owners and managers), Indianapolis, Indiana since 1961, and Chairman of Correctional Management Company L.L.C. since 1996. Mr. Borns serves on numerous boards, including the Board of Trustees of Indianapolis Museum of Art; Indianapolis Symphony Orchestra; Indiana University Foundation; and St. Vincent Hospital Advisory Board. He is also a director of IPL; Standard Management Corporation; and Artistic Media Partners. He has been a director of IPALCO since April, 1987 (excluding the period March 15 to August 23, 1993).

*Otto N. Frenzel III*, 69, Chairman, Executive Committee, National City Bank of Indiana, Indianapolis, Indiana. Mr. Frenzel has held his present position since January, 1996. For more than 3 years prior to that time, Mr. Frenzel was Chairman of the Board of National City Bank, Indiana. Prior to May, 1992, Mr. Frenzel was Chairman of the Board of Merchants National Bank & Trust Company of Indianapolis and Chairman of the Board of Merchants National Corporation. He is a director of IPL; American United Life Insurance Company; and Baldwin & Lyons, Inc. He has been a director of IPALCO since September, 1983.

*Andre B. Lacy*, 60, General Partner and Chief Executive of LDI, Ltd. (an industrial and investment limited partnership), Chairman of the Board, Chief Executive Officer and President of LDI Management, Inc.; the managing general partner of LDI, Ltd.; and Chairman and Chief Executive Officer of all subsidiaries and divisions thereof. He has held his present positions for more than 5 years. He is a director of IPL; FinishMaster, Inc.; Herff Jones; Patterson Dental Co.; and The National Bank of Indianapolis. He has been a director of IPALCO since April, 1985.

*L. Ben Lytle*, 53, Chairman, Anthem Insurance Companies, Inc. (insurance and financial services), Indianapolis, Indiana. He retired as President and Chief Executive Officer on October 22, 1999, positions he had held since 1989. He served as Chairman from March, 1994 to March, 1996, was re-elected Chairman in November, 1997. He is a director of IPL; Duke Realty Investments, Inc.; Central Newspapers, Inc.; All Scripts, Inc.; CID Ventures; and Anthem Insurance Companies, Inc. and its subsidiaries. He has been a director of IPALCO since April, 1992.

**CLASS I**

*Daniel R. Coats*, 56, Special Counsel, Verner, Liipfert, Bernhard, McPherson and Hand since February 1, 1999. Senator Coats represented the State of Indiana in the U.S. Senate from 1988 to 1998, and represented Indiana's Fourth District in the U.S. House of Representatives from 1981 to 1988. Senator Coats currently serves as National Board President of Big Brothers Big Sisters of America, an organization he has been associated with since 1972. He is also a board member of the International Republican Institute and the Wheaton College Board of Visitors.

*Mitchell E. Daniels, Jr.*, 51, Senior Vice President, Corporate Strategy and Policy, Eli Lilly and Company, (pharmaceuticals manufacturer). During the period April 1, 1993 to January 6, 1996, Mr. Daniels was President, North American Pharmaceutical Operations of Eli Lilly and Company. Prior to that time, he was Vice President, Corporate Affairs of Eli Lilly and Company and President and Chief Executive Officer of Hudson Institute, Inc. (March, 1987 to August, 1990). He is a director of IPL and has been a director of IPALCO since November, 1989.

*Rexford C. Early*, 65, President of Carlisle Insurance Agency, Inc., Indianapolis, Indiana, a position he has held for more than five years. Mr. Early was Chairman of the Indiana Republican Party from March, 1991 to March, 1993. He is a trustee of the Indianapolis Foundation and served as its Chairman in 1998, and he is a trustee of the English Foundation. He is a director of IPL and has been a director of IPALCO since August, 1993.

*John R. Hodowal*, 55, Chairman of the Board and President of IPALCO and Chairman of the Board and Chief Executive Officer of IPL. Except for the Chairmanship of IPL which he assumed in February, 1990, Mr. Hodowal has held his current positions since May, 1989. For some years prior to that time, he was Vice President and Treasurer of IPALCO and Executive Vice President of IPL. He is a director of IPL. He has been a director of IPALCO since April, 1984.

*Michael S. Maurer*, 57, Chairman of the Board of The National Bank of Indianapolis since December, 1993. Mr. Maurer is Chairman of the Board of MyStar Communications Corporation (radio station operations), a position he has held for more than five years; and Chairman of the Board of IBJ Corporation (newspaper publisher) since December, 1990. He is a director of IPL and has been a director of IPALCO since January, 1993.

*Thomas H. Sams*, 58, President and Chief Executive Officer, Waldemar Industries, Inc. (an investment holding company), Indianapolis, Indiana, and an officer of various subsidiary and affiliated corporations thereof. Mr. Sams has held these positions since 1966. He is a director of IPL and Meridian Insurance Group, Inc. He has been a director of IPALCO since April, 1987.

## **INFORMATION REGARDING THE BOARD OF DIRECTORS**

### **Procedure To Propose Nominees For Director**

IPALCO will accept timely notice by shareholders of proposed nominees for directors. Any such notice must be received by the Corporate Secretary of IPALCO not less than 60 days nor more than 90 days prior to the date of each annual meeting. Such shareholder's notice shall set forth (a) as to each proposed nominee for director (i) the name, age, business address and residence address of such nominee, (ii) the principal occupation or employment of such nominee, (iii) the class and/or series and number of shares that are beneficially owned by such nominee on the date of such shareholder notice and (iv) any other information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, and (b) as to the shareholder giving the notice (i) the name and address, as they appear on IPALCO's books, of such shareholder and any shareholders known to be supporting such nominee and (ii) the class and/or series and number of shares beneficially owned by such shareholder and by any shareholders known to be supporting such nominee on the date of such shareholder notice. The Board of Directors may reject any nomination for director not made in accordance with the foregoing provisions.



## Number of Board Meetings and Attendance

During 1999, the Board of Directors of IPALCO held 7 meetings and committees of the Board held a total of 17 meetings. Each director attended more than 75% of the aggregate of Board meetings and assigned committee meetings except for Andre B. Lacy, who attended more than 70%. All directors, on average, attended over 89% of the Board meetings and assigned committee meetings held in 1999.

### STANDING COMMITTEES OF THE BOARD

Board Member	Board	Audit	Compensation	Executive	Strategies
Joseph D. Barnette, Jr.	✓				✓*
Robert A. Borns	✓		✓	✓	
Daniel R. Coats	✓				✓
Mitchell E. Daniels, Jr.	✓				✓
Rexford C. Early	✓		✓		
Otto N. Frenzel III	✓		✓*	✓	
Max L. Gibson	✓		✓		✓
John R. Hodowal	✓*			✓*	
Ramon L. Humke	✓			✓	
Andre B. Lacy	✓	✓		✓	
L. Ben Lytle	✓				✓
Michael S. Maurer	✓	✓			✓
Andrew J. Paine, Jr.	✓	✓			
Sallie W. Rowland	✓	✓*			
Thomas H. Sams	✓		✓	✓	
Meetings held in 1999	7	3	4	7	3

\*Chairperson

- Audit:** Examines and inquires into the effectiveness of auditing, accounting, financial reporting and internal control functions. Recommends the appointment of the auditor, reviews the scope of the audit, reviews the auditor's report and makes appropriate recommendations to the Board after such review. All members are non-employee directors.
- Compensation:** Monitors management compensation and benefit programs, obtains advice of independent consultants, and makes specific recommendations on compensation of Executive Officers of IPALCO and its subsidiaries. Administers IPALCO's bonus, stock option, restricted stock and pension plans and makes specific recommendations regarding awards under those plans. All members are non-employee directors.
- Executive:** May act on behalf of the Board when the full Board is not in session. Performs the functions of a nominating committee. It reviews the qualifications of candidates to stand for election to the Board of Directors and makes specific recommendations with respect thereto. In addition, the Executive Committee considers and recommends the declaration of dividends.

**Strategies:** Considers and makes recommendations with respect to issues and processes involving dynamic planning, matters affecting the allocation of corporate resources among regulated and non-regulated subsidiaries, and other components of overall corporate strategy.

### **Compensation Committee Interlocks and Insider Participation**

Mr. Frenzel is Chairman, and Messrs. Borns, Early, Gibson and Sams are the members of the Compensation Committee. IPALCO's Vice Chairman, Mr. Ramon L. Humke, is a member of the Compensation Committee of the Board of Directors of LDI Management, Inc. Mr. Andre B. Lacy is Chairman of the Board, Chief Executive Officer and President of LDI Management, Inc. and is also a director of IPALCO.

### **Compensation of Directors**

Employee directors receive no compensation other than their normal salary for serving on the Board or its committees. Non-employee directors receive the following fees for their service on the Board:

<b>Annual Retainer Fees:</b>	
Board of Directors	\$10,000
Executive Committee	15,000
Audit—Compensation—Strategies Committees	4,000
<b>Meeting Fees:</b>	
Board of Directors	\$ 1,000
Executive Committee	0
Audit—Compensation—Strategies Committees	1,000

The Chairperson of the Audit Committee, Compensation Committee and Committee on Strategies each receives an additional fee of \$1,500 annually. Directors of IPALCO and its subsidiaries are limited to two annual fees. Members of the Executive and Audit Committees of both IPALCO and IPL are limited to one annual fee.

Outside directors receive an annual grant of options to purchase 6,000 shares of IPALCO common stock on May 1 of each year, if they have served as a director for the prior 12 months. The options become exercisable six months after the date of grant. The exercise price of these options is equal to the fair market value of IPALCO's common stock on the date of grant. The options expire after ten years.

Directors may elect to defer part or all of their annual retainer, attendance or committee fees under a non-qualified, unfunded deferred compensation plan. Deferred amounts earn interest equal to IPL's cost of capital as determined by the Indiana Utility Regulatory Commission in IPL's last general retail electric rate order, unless otherwise determined by the Compensation Committee.

### **Certain Business Relationships**

During 1999, companies associated with Anthem Insurance Companies, Inc. ("Anthem") administered health care programs for IPALCO and its subsidiaries under contracts that involve payments to Anthem aggregating approximately \$17.5 million. Mr. L. Ben Lytle is Chairman of the Board of Anthem.

IPL engaged Rowland Design, Inc. for architectural and design services for certain improvements to the corporate offices located at One Monument Circle. During 1999, IPL paid fees of approximately \$95,800 under such agreements. Mrs. Sallie W. Rowland is Chairman of Rowland Design, Inc.

## **PROPOSAL 2—SHAREHOLDER PROPOSAL**

A shareholder has notified IPALCO that he intends to present the proposal set forth below at this year's annual meeting. The Board has recommended a vote against this proposal for broader policy reasons as set forth following the proposal. The name, address and share holdings of the shareholder proponent will be supplied upon oral or written request to IPALCO.

“RESOLVED: That the pay and remunerations of all officers, C.E.O., and board members pay increases be limited to not more than 2% above the lowest paid hourly employee or 2% above the C.P.I. at the end of the year in which the pay is given.”

**The Board of Directors recommends a vote AGAINST this proposal.**

Setting the compensation and incentives for the officers and the Chief Executive Officer is the key responsibility of the Compensation Committee of the Board of Directors. As discussed on pages 9 through 12 of this Proxy Statement in the Board Compensation Committee Report on Executive Compensation, the Compensation Committee considers, along with consultation with its outside advisor, four basic components in establishing the compensation program. These four components include base salary, a performance based annual incentive plan, a long-term performance and restricted stock incentive plan and a stock option plan. There is a strong and direct link between IPALCO performance and officer compensation, with a significant portion of total compensation being dependent upon measurable performance objectives.

The fees paid the members of the Board of Directors are established after reviewing the fees paid to other comparable electric utility industry boards through the use of an outside consultant.

### **BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

#### **Compensation Policies Relating Generally to Executive Officers**

The Compensation Committee (“Committee”) of the Board of Directors (“Board”), in consultation with its outside advisor, establishes the compensation policies of IPALCO Enterprises, Inc. and its subsidiaries (“IPALCO”) with regard to all officers. The Committee recommends to the Board the adoption or amendment of compensation plans for officers, including the named executive officers. On authority of the full Board, the Committee administers all such plans, including establishing officers’ base salary levels, reviewing and approving performance measures and goals for both annual and long-term incentive plans, and approving incentive awards.

The Committee is made up of five non-employee directors whose philosophy is to attract, retain, and motivate a high quality management team by providing a strong and direct link between IPALCO performance and officer compensation, with a significant portion of total compensation being dependent upon measurable performance objectives. The compensation program for named executive officers and other selected officers had four basic components in 1999: base salary, a performance-based annual incentive plan, a long-term performance and restricted stock incentive plan, and a stock option plan. It is the policy of the Committee that the compensation program should directly link executive and shareholder interests.

#### **Base Salary**

During 1999 the Committee thoroughly reviewed base salary of officers, including the named executive officers, in light of IPALCO’s transformation from a more traditional utility to a more general industry company. The Committee agreed to continue following the base salary structure prepared in 1998 by the outside consultant based on general industry S & P 500 and S & P Mid-Cap 400 companies with comparable market value to IPALCO. The base salary structure was designed for the three-year period 1998 through 2000, uses six broadbanded pay ranges with band

assignment made based on the external market and internal role within IPALCO, and provides the ability to pay base salaries within a 40th to 75th percentile range. Another component of the base salary structure is the departure from annual salary increases to perhaps, and in most cases, increases once every three years. Exception to base salary increases once every three years would be new officers paid below median or officers performing at a truly exceptional level. No named executive officer received a 1999 base salary increase.

The Committee established 1999 base salaries for officers, including the named executive officers, between the 40th to 75th percentile for similar positions within comparable market value S & P 500 and S & P Mid-Cap 400 general industry companies. The Committee considered both company and individual performance in approving the range of 1999 base salary increases, if any, and if the increase was for a one-year or two-year period.

In 1999 seventeen officers, including all named executive officers, received the same base salary as in 1998 while five officers received a base salary increase covering the next two-year period. The total 1999 officers base salaries were 2.5% greater than the total 1998 officers base salaries.

The comparative compensation data for electric utility industry competitors used by the Committee was derived from an executive compensation database maintained by the outside consultant and the annual Edison Electric Institute Executive Compensation Survey. Data for general industry was drawn from three national executive compensation surveys provided by the outside consultant and from an analysis prepared by the outside consultant on comparable executive position compensation within the S & P 500 and S & P Mid-Cap 400 general industry companies with market values of between \$1.5 billion and \$3.0 billion (202 companies met this criteria).

### **Annual Incentive Plan**

The IPALCO Annual Incentive Plan is a performance-based plan which measures company performance in four equally weighted criteria: Net Income, Customer Satisfaction, Productivity, and Budget Compliance. Target awards are set at comparable market value general industry medians. Participants in the Plan are approved in advance of the plan year by the Committee. All participants, including the named executive officers, are measured against performance goals which are established by the Committee and announced at the beginning of the year. Goals are set at Threshold, Target, and Maximum levels, with Threshold performance required for any award in each criterion; however, if the Threshold goal for Net Income is not met, no payout is made regardless of the performance in any other criteria. Each performance level is assigned an award value, with interpolation for performance between levels. For named executive officers, performance at Threshold, Target, and Maximum levels respectively warrants a payout of 10%, 22.5%, and 35% of base salary. Factors ranging from .75 to 3.0 are applied to the award percentage based upon the participant's position.

The Plan permits the reduction or elimination of an award should an individual participant's performance be below expectations. No awards were reduced in 1999.

For 1999, the Company met the Maximum performance goals in three of the four performance measures: Net Income, Customer Satisfaction and Productivity. Budget Compliance performance was between Target and Maximum level.

### **Long-Term Performance and Restricted Stock Incentive Plan**

The performance-based restricted stock plan is designed to focus the attention of prospective participants on long-term company objectives and performance. Participation is subject to Committee approval and is limited to key employees (including non-officers) who contribute on a continuing basis to the strategic and long-term growth of the Company.

Program II (1998-2000) of the Plan measures Company performance in Total Return to Shareholders compared to companies comprising the S & P 500 Index on January 1, 1998. Target awards are set approximately at comparable market value general industry medians. Conditional restricted stock grants (reflecting the March 18, 1999 stock split), at target levels ranging from 40 shares per \$1,000 of base compensation to 100 shares per \$1,000 of base compensation, are awarded at the beginning of each three-year performance period. Final awards will be 0—400% of the initial awards based upon IPALCO's ranking in Total Return to Shareholders among the S & P 500 companies over the performance period, with one-third of the shares to be paid during each of the fourth (2001), fifth (2002), and sixth (2003) years after the beginning of the performance period. The performance period for Program II will end December 31, 2000. On December 31, 1998, the end of the first year in the three-year performance period, IPALCO ranked in the top quartile, 99th among the S & P 500 companies. On December 31, 1999, the end of the second year in the three-year performance period, IPALCO ranked 387 among the S & P 500 companies.

Program I (1995-1997) of the Plan measured Company performance in Total Return to Shareholders and in Cost Effective Service (net income as a percentage of utility revenues) compared with the performance of a Peer Group of 15 comparable utilities. Criteria for selection of peer companies included revenue size and sources, market-to-book ratio, fuel source, and dividend yield, among other criteria. Target awards were set approximately halfway between general industry and utility medians. Conditional restricted stock grants, at Target levels ranging from 10% to 35% of base salary, were awarded at the beginning of the three-year performance period. Final awards were based upon IPALCO's ranking within the Peer Group over the performance period, with one-third of the shares paid during each of the fourth (1998), fifth (1999), and sixth (2000) years after the beginning of the performance period. The performance period for Program I ended December 31, 1997 with IPALCO ranked 1st in Total Return to Shareholders and 1st in Cost Effective Service.

Using the schedule specified in the Plan for the level of performance achieved under Program I, and an IPALCO Common Stock market value on December 31, 1998 of \$27.59, adjusted for the March 18, 1999 stock split, the named executive officers received incentive payments for the second Program I payout totaling \$2,339,173 in 1999.

### **Stock Options**

The Compensation Committee strongly believes management is in a position to exert the greatest influence on those strategic decisions which affect IPALCO's long-term financial success and the creation of shareholder value. Thus, the Compensation Committee has maintained a posture that particularly senior officers, including the named executive officers, should have a portion of their long-term incentive compensation tied directly to the stock price performance. Consistent with the Compensation Committee's three-year grant program (last initiated in early 1997), on December 30, 1999, one named executive officer was granted 115,000 stock options at an exercise price of \$16.63 per share, vesting immediately and, on January 3, 2000, all named executive officers were granted a total of 1,130,000 stock options at an exercise price of \$16.41 per share, vesting immediately. In addition, under the three-year grant program, the Compensation Committee, on January 3, 2000, granted a total of 825,000 stock options at an exercise price of \$16.41 per share, vesting immediately, to eleven officers and eight non-officers.

### **Basis for Chief Executive Officer's Compensation**

The Chief Executive Officer's ("CEO") compensation continues to be directly and explicitly linked to IPALCO performance with consideration given to the Committee's assessment of his individual performance. The Committee thoroughly reviews the CEO's performance, including strategic direction, leadership and management team development, as well as overall company performance. The Committee's review is both subjective and objective. IPALCO performance data used in the incentive plans plus other financial, operations, service, and administrative data are considered.

Total 1999 compensation for the CEO (including base salary, Annual Incentive Plan payment, and stock associated with the Long-Term Performance and Restricted Stock Incentive Plan and stock options) is shown in Tables I and II. His total compensation was above the median of comparable electric utility industry CEO's but was below the median of CEO compensation in comparable market value and high-performing general industry companies.

At Target performance, under the current compensation program, approximately 58% of the CEO's total direct compensation is variable and at risk. During 1999, approximately 71% of the CEO's actual total direct compensation was at risk.

#### **Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code will not permit a public corporation to deduct, for federal income tax purposes, annual compensation in excess of \$1 million paid to certain top executives, unless that compensation qualifies as "performance based" compensation. This limitation will have insignificant impact on IPALCO with respect to executive compensation paid in 1999. The Committee continues to review this issue with the present intent to limit Section 162(m) where appropriate to ensure the continued deductibility of its executive compensation.

#### **The Compensation Committee of the Board of Directors of IPALCO Enterprises, Inc.**

Otto N. Frenzel III, Chairman  
Robert A. Borns  
Rexford C. Early  
Max L. Gibson  
Thomas H. Sams

## COMPENSATION OF EXECUTIVE OFFICERS

### Nature and Types of Compensation

The three tables that follow disclose all plan and non-plan compensation awarded to, earned by, or paid to the Chairman of the Board and President of IPALCO, who is its chief executive officer ("CEO") and to the four named executive officers other than the CEO who are the most highly compensated key policy-making executive officers of IPALCO and its subsidiaries. The tables include a Summary Compensation Table (*Table I*), a table showing Option/SAR Grants in Last Fiscal Year (*Table II*), and an Aggregated Option/SAR Exercises In Last Fiscal Year and Fiscal Year-End Option/SAR Values Table (*Table III*). No table is presented for Long-Term Incentive Plans since the issuance of restricted stock under the Long-Term Performance and Restricted Stock Incentive Plan is included in the Summary Compensation Table (*Table I*).

### SUMMARY COMPENSATION TABLE

**TABLE I**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation(6) (\$)
		Salary (\$)(1)	Bonus (\$)	Other Annual Compensation(2) (\$)	Awards Restricted Stock Awards(3) (\$)	Awards Securities Underlying Options/ SARs(4) (#)	Payouts LTIP Payouts (5) (\$)	
<b>John R. Hodowal</b>	1997	\$532,958	\$468,125	\$ 70,087	- 0 -	500,000	\$127,550	\$5,831
Chairman & President;	1998	637,897	677,250	1,693,360	\$1,586,497	- 0 -	757,607	6,400
Chairman & CEO of IPL	1999	698,972	715,617	1,736,412	- 0 -	115,000	997,670	6,400
<b>Ramon L. Humke</b>	1997	\$450,778	\$395,937	\$ 236,242	- 0 -	250,000	\$106,147	\$5,831
Vice Chairman;	1998	480,990	508,375	841,754	\$1,348,452	- 0 -	635,481	6,400
President & COO of IPL	1999	499,269	513,617	259,104	- 0 -	- 0 -	836,846	6,400
<b>John R. Brehm</b>	1997	\$240,781	\$ 84,595	\$ 7,512	- 0 -	150,000	\$ 39,858	\$5,630
Vice President & Treasurer;	1998	277,859	147,297	36,288	\$ 518,399	- 0 -	199,492	6,757
SVP, Finance of IPL	1999	299,561	153,563	56,951	- 0 -	- 0 -	262,704	6,397
<b>Bryan G. Tabler</b>	1997	\$225,742	\$ 79,310	\$ 20,053	- 0 -	90,000	\$ 21,197	\$5,081
Vice President, Secretary &	1998	234,268	82,437	58,294	\$ 346,525	- 0 -	183,733	5,714
General Counsel; SVP, Secretary and General Counsel of IPL	1999	239,656	82,287	22,604	- 0 -	- 0 -	241,953	6,397
<b>Joseph A. Gustin</b>	1997	\$209,206	\$ 42,000	\$ 11,390	- 0 -	90,000	\$ 33,768	- 0 -
Vice President,	1998	209,206	55,125	4,576	\$ 216,234	- 0 -	- 0 -	- 0 -
Information Services of IPL	1999	209,696	70,301	25,166	- 0 -	- 0 -	- 0 -	- 0 -

## FOOTNOTES TO SUMMARY COMPENSATION TABLE

- (1) The named executive officers did not receive a salary increase from 1998 to 1999. Salary increases, if applicable take effect in May. The 1998 figures reflect 4 month's pay at the 1997 base salary rates and 8 month's pay at the 1998 base salary rates while 1999 figures reflect 12 month's pay at the 1998 base salary rates.
- (2) Represents taxes paid by IPALCO and/or IPL on accrued interest and contributions of principal under the Funded Supplemental Retirement Plan (See "Pension Plans"). Includes \$17,783, \$38,751 and \$14,683 earned in above market interest on deferred compensation for Mr. Humke in 1997, 1998, and 1999, respectively. Includes \$6,754 earned in above market interest on deferred compensation for Mr. Hodowal in 1999.
- (3) Restricted common stock awards pursuant to the IPALCO Enterprises, Inc. Long-Term Performance and Restricted Stock Incentive Plan (the "Restricted Stock Plan") are valued at the closing market price as of the date of the award. Dividends on the restricted common stock are payable to the named officers. Amounts shown for 1998 represent shares awarded in January, 1998 under the 1995-1997 performance period (Cycle 1) as a result of IPALCO's performance during that period and to reflect actual salary during that period, and shares awarded in January, 1998 for the 1998-2000 performance period (Cycle 2) as follows:

	<u>Cycle 1</u>		<u>Cycle 2</u>	
John R. Hodowal	11,566 shares	\$ 484,731	26,750 shares	\$1,101,766
Ramon L. Humke	9,940 shares	\$ 416,585	22,625 shares	\$ 931,867
John R. Brehm	2,868 shares	\$ 120,198	9,668 shares	\$ 398,201
Bryan G. Tabler	2,701 shares	\$ 113,198	5,665 shares	\$ 233,327
Joseph A. Gustin	-0- shares	-0-	5,250 shares	\$ 216,234

The total shares awarded under Cycle 1 vest in one-third increments in the years 1998, 1999 and 2000 and are paid out in cash or stock, at the election of the named officer. Under the terms of the Restricted Stock Plan, no additional shares will be awarded to the named officers before 2001. Upon completion of the performance period for Cycle 2, the total shares to be awarded will be 0-400% of the award listed. This total will vest in one-third increments in the years 2001, 2002, and 2003 and is paid out in cash or stock, at the election of the named officer.

Restricted common stock holdings and the values thereof based on the closing price of the common stock at year end of \$17.0625 are as follows:

John R. Hodowal	89,656 shares	\$1,529,756
Ramon L. Humke	75,574 shares	\$1,289,481
John R. Brehm	28,856 shares	\$ 492,356
Bryan G. Tabler	20,098 shares	\$ 342,922
Joseph A. Gustin	10,500 shares	\$ 179,156

- (4) No options have stock appreciation rights. The 1997 stock option award figures have been adjusted to reflect the 2-for-1 common stock split issued in March, 1999.
- (5) Payouts shown for 1997 were made pursuant to the 1990 Long-Term Incentive Plan (the "LTIP Plan"). The LTIP Plan was replaced by the Restricted Stock Plan and no additional payments will be made under the LTIP Plan. Payouts shown for 1998 and 1999 were made pursuant to the Restricted Stock Plan.
- (6) Represents contributions made by IPL to the Trustee of the Employees' Thrift Plan.



# OPTION/SAR GRANTS IN LAST FISCAL YEAR

Individual Grants					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term	
Name	Number of Securities Underlying Options/SARs Granted (#)(1)	% of Total Options/SARs Granted to Employees In Fiscal Year	Exercise or Base Price(2) (\$/Sh)	Expiration Date	5%(\$)(3)	10%(\$)(3)
<b>John R. Hodowal</b>	115,000	100%	\$16.63	12/30/09	\$1,202,729	\$3,047,952

- (1) All options are exercisable immediately. None of the stock options contain stock appreciation rights.
- (2) Equal to market price on grant date.
- (3) These values are not a prediction of what IPALCO believes the market value of its common stock will be in the next 10 years. IPALCO does not know and cannot determine whether its common stock will increase (or decrease) in value over that period. The values shown in these columns are merely assumed values required by, and calculated in accordance with, Securities and Exchange Commission Rules.

TABLE II

**AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR  
AND FISCAL YEAR-END OPTION/SAR VALUES**

Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs at FY-End(#)	Value of Unexercised In-the-Money Option/SARs FY-End(\$)*
			Exercisable/ Unexercisable	Exercisable/ Unexercisable
<b>John R. Hodowal</b>	-0-	-0-	115,000(e) -0-(u)	\$ 49,738 -0-
<b>Ramon L. Humke</b>	-0-	-0-	382,254(e) -0-(u)	\$943,300 -0-
<b>John R. Brehm</b>	120,000	\$1,089,750	-0-(e) -0-(u)	-0- -0-
<b>Bryan G. Tabler</b>	-0-	-0-	70,000(e) -0-(u)	\$ 96,075 -0-
<b>Joseph A. Gustin</b>	8,104	\$ 123,502	90,000(e) -0-(u)	\$123,525 -0-

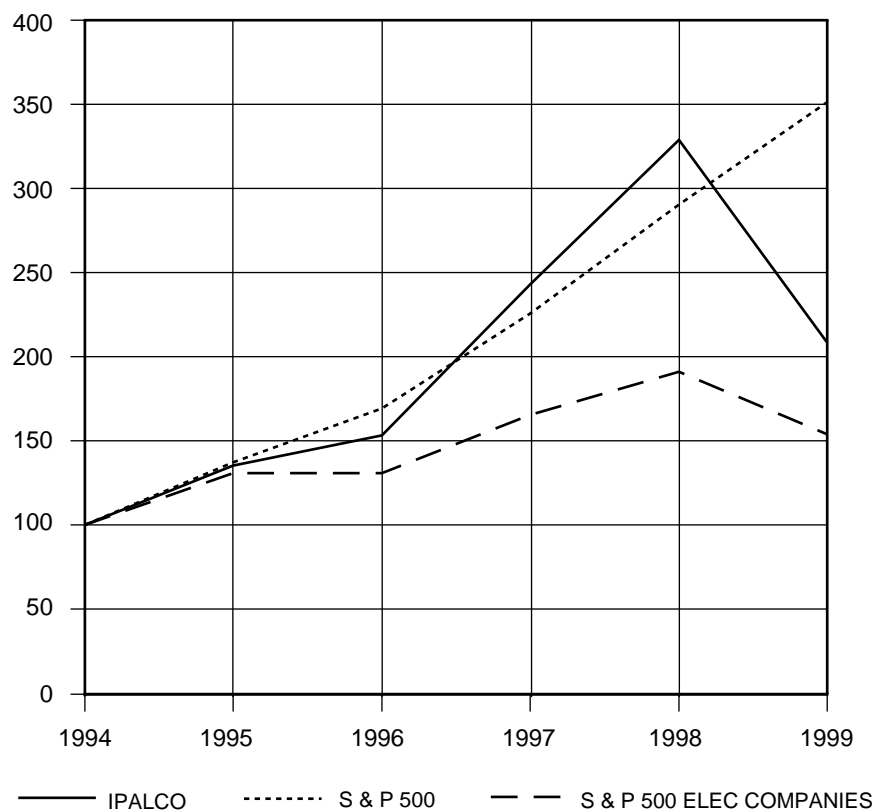
(e) Exercisable.

(u) Unexercisable.

\*Based upon year-end closing market price of \$17.0625 per share of common stock.

*TABLE III*

## PERFORMANCE GRAPH



## CUMULATIVE TOTAL RETURN ASSUMING DIVIDEND REINVESTMENT

	1994	1995	1996	1997	1998	1999
IPALCO	100	135.28	153.28	242.92	328.61	208.49
S&P 500	100	137.58	169.17	225.60	290.08	351.12
S&P 500 ELEC COMPANIES	100	131.09	130.88	165.23	190.80	153.84

Source: Standard and Poor's Compustat Services, Inc.

*TABLE IV*

## Performance Graph

The Performance Graph (*Table IV*) on the preceding page plots the total cumulative return that shareholders of IPALCO received (solid line) during the period from December 31, 1994 through December 31, 1999, compared with the total cumulative return to shareholders of companies comprising the S & P 500 Index (dash line) and the S&P Electric Companies Index (bold dash line).

## Pension Plans

*Table V* below illustrates the combined annual retirement benefits computed on a straight-life annuity basis that are payable under the Base Retirement Plan and the Funded Supplemental Retirement Plan (assuming continuous employment to age 65) to named executive officers having the remuneration and years of service shown.

PENSION PLAN TABLE (1)						
Remuneration		Years of Service				
		15	20	25	30	35
\$125,000		\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
150,000		90,000	90,000	90,000	90,000	90,000
175,000		105,000	105,000	105,000	105,000	105,000
200,000		120,000	120,000	120,000	120,000	120,000
225,000		135,000	135,000	135,000	135,000	135,000
250,000		150,000	150,000	150,000	150,000	150,000
300,000		180,000	180,000	180,000	180,000	180,000
400,000		240,000	240,000	240,000	240,000	240,000
450,000		270,000	270,000	270,000	270,000	270,000
500,000		300,000	300,000	300,000	300,000	300,000
600,000		360,000	360,000	360,000	360,000	360,000
700,000		420,000	420,000	420,000	420,000	420,000

- (1) This table takes into account the latest Internal Revenue Code Section 415 benefit limitations and Internal Revenue Code Section 401(a)(17) compensation limitation applicable to the Base Retirement Plan. Benefits for both the Base Retirement Plan portion and Funded Supplemental Retirement Plan portion of the combined amounts have been shown without adjustment for income taxes.

TABLE V

IPL's Employees' Retirement Plan (the "Base Retirement Plan") covers all permanent employees with one (1) year of service but excludes directors unless they are also officers. It provides fixed benefits at normal retirement age based upon compensation and length of service, the costs of which are computed actuarially. The remuneration covered by the Plan includes "Salary" but excludes "Bonus" and "Other Compensation," annual or otherwise, as those terms are used in the Summary Compensation Table (*Table I*). Benefits are calculated on the basis of the highest average annual salary in any 60 consecutive months of employment. Years of service for Pension Plan purposes of named executive officers are as follows: Mr. Hodowal—31, Mr. Humke—10, Mr. Brehm—24, Mr. Gustin—28, and Mr. Tabler—5.

The Funded Supplemental Retirement Plan referred to above is applicable to all senior officers, including the named executive officers, and, at reduced benefits, to all other officers of IPALCO and IPL. In addition to the Base Retirement Plan and Funded Supplemental Retirement Plan benefits described above, the Funded Supplemental Retirement Plan also provides Mr. Hodowal with a straight-life annuity of \$130,000 per year commencing at age 65,

which benefit is reduced in accordance with the other applicable provisions set forth in the Plan for early retirement. Contributions and accrued interest credit during 1999 to the accounts of Messrs. Hodowal, Humke, Brehm, Gustin and Tabler amounted to \$2,173,000, \$307,071, \$71,548, \$31,616 and \$28,398, respectively (in addition to the federal, state and local income tax payments reflected in *Table I* above). Contributions are based on actuarial assessments of benefits projected to accrue to such officers under the Funded Supplemental Retirement Plan upon termination of employment at normal retirement age and at current salary levels.

### **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

IPALCO has an employment contract with Mr. Hodowal which provides for an indefinite term that is convertible into a fixed 3-year term upon notice. IPALCO has an employment contract with Mr. Humke which provides for an indefinite term that is convertible into a fixed 1-year term upon notice. Such contracts terminate upon death, total disability or retirement. Should they be terminated without “cause” or resign for “good reason” (as those terms are defined in the contract—see below), the executives would continue to receive their Salary, as that term is used in *Table I* above, for up to 3 years thereafter for Mr. Hodowal, and for up to 1 year thereafter for Mr. Humke, less any severance payments received from other agreements.

All officers of IPALCO and its subsidiaries have Termination Benefits Agreements, dated on or after January 1, 1993. These Agreements provide for payment of severance benefits equal to 299.99% of the last 5 years’ average compensation (as defined in section 280G of the Internal Revenue Code) payable by IPALCO and its subsidiaries which was includable in the gross income of the officers, if IPALCO undergoes an “acquisition of control” while the agreement is in effect and if, within 3 years after an acquisition of control, any such officer is terminated without “cause” or resigns for “good reason,” as those terms are therein defined (see below).

The term “without cause” is defined in the employment contracts and Termination Benefits Agreements discussed above to mean in the absence of fraud, dishonesty, theft of corporate assets or other gross misconduct, as set out in a good faith determination of the Board of Directors. The term “resign for ‘good reason’ ” is defined in the same agreements to mean generally, and subject to lengthy qualifications and amplification, demotion; assignment of duties inconsistent with the officer’s status, position or responsibilities; reduction in base salary or failure to grant annual increases commensurate with increases of the officers; relocation of headquarters of IPALCO or IPL to a location outside Greater Indianapolis; or termination of the executive’s participation in, or the existence of, an incentive compensation, insurance or pension program. The term “acquisition of control” in such contracts means, generally and subject to lengthy amplification and qualifications therein, acquisition by any person, entity, or group of 20% or more of the combined voting power of the outstanding securities of IPALCO entitled to vote in the election of directors, excluding acquisition by or from IPALCO or any acquisition by any employee benefit plan of IPALCO or IPL; change in majority membership of the Board of Directors other than by normal succession; certain reorganizations, mergers or consolidations resulting in control of the reorganized, merged, or consolidated entity by persons not previously in control of IPALCO; approval by the shareholders of complete liquidation or dissolution of IPALCO, or of a sale of all or substantially all of its assets to an entity not controlled by directors and holders of voting securities who were directors and holders of voting securities of IPALCO prior to the transaction.

A Benefit Protection Fund and Trust Agreement (“Fund”) is also in effect to pay litigation expenses in the event it becomes necessary for any officer to enforce the employment contracts and Termination Benefits Agreements above described. The Fund is held in trust by National City Bank of Indiana, and at December 31, 1999, the sum of \$1,027,364.50 was reserved in trust for such expenses.

By order of the Board of Directors.

IPALCO Enterprises, Inc.  
By: Bryan G. Tabler, Secretary

Indianapolis, Indiana  
March 20, 2000